

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7589

BILL NUMBER: HB 1549

NOTE PREPARED: Jan 15, 2007

BILL AMENDED:

SUBJECT: Sales Tax on Gasoline.

FIRST AUTHOR: Rep. Stevenson

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ GENERAL
☒ DEDICATED
☐ FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides a cap of \$1.50 per gallon on the price of gasoline on which Sales Tax is charged.

Effective Date: Upon passage; July 1, 2007.

Explanation of State Expenditures: This bill will increase the administrative expenditures of the Department of State Revenue (DOR) by requiring the amendment and update of forms, rules, procedures, and computer software used to administer the Sales Tax on gasoline. It is estimated that the provisions of this bill could be implemented by the DOR through the use of existing staff and resources.

Explanation of State Revenues: This bill will decrease Sales Tax collections by between an estimated \$84.12 M and \$89.02 M each year. The exact amount of the impact will ultimately be determined by the portion of the sales price of gasoline which is above \$1.50. The bill provides that Sales Tax may not be applied to any portion of the sales price of gasoline that is above \$1.50. Please note the "sales price of gasoline" as referred to in this fiscal impact statement means the sales price of gasoline *WITHOUT* including state or federal fuel taxes.

The decrease in Sales Tax collections may be offset to a minimal extent by a possible increase in state Gasoline Tax revenue. Any increase in Gasoline Tax revenue would be the result the possible increase in gallons sold because of the pump price decrease that would occur by decreasing the amount of Sales Tax on gasoline. This offset would only be realized to the extent that gasoline prices are above \$1.50, because the same amount of Sales Tax will be collected on gas sold below \$1.50.

Background: The low range of the estimate above is based on the Energy Information Association's *Short Term Energy Outlook* estimate of Midwest gas prices (excluding taxes) for CY 2007 and CY 2008. The EIA estimates that Midwest gas prices will be just under \$2 after subtracting state and federal gas taxes. The high end of the estimate above assumes that gas prices will remain equal to the FY 2006 average pump price as implied from retailer returns submitted on form ST-103MP. The implied average pump price for FY 2006 was \$2.47. The average implied Sales Tax paid per gallon for FY 2006 was \$0.119, which represents a blending of the prepayment rate and the 6% Sales Tax rate paid on non-prepaid taxable gallons.

The table below illustrates the revenue loss for each fund included in the Sales Tax distribution formula.

Fund	Revenue Impact (in millions)	Revenue Impact (in millions)
	Low Range	High Range
Property Tax Replacement Fund	(\$ 41.38)	(\$ 43.79)
State General Fund	(42.06)	(44.51)
Public Mass Transportation Fund	(0.53)	(0.57)
Commuter Rail Service Fund	(0.03)	(0.03)
Industrial Rail Service Fund	(0.12)	(0.12)
Total	(\$ 84.12)	(\$ 89.02)

Explanation of Local Revenues: This bill could result in an increase in local revenues. A portion of the possible increase Gasoline Tax revenue will be distributed to local governments according to the Motor Vehicle Highway Account and the Local Road & Street Account distribution formulas.

State Agencies Affected: Department of State Revenue.

Local Agencies Affected: Local units and recipients of Gasoline Tax revenues.

Information Sources: Bob Lain, State Budget Agency, 317-232-3471. www.eia.doe.gov

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